marketing of produce, and, in fact, in the whole distributing system. Examples of good and bad marketing methods and of the effect on prices were given in a satisfactorily conclusive way. There is no doubt that Mr. Coats has presented a point of view that will receive the attention of a larger body of economists in the near future, especially at this time when economic organization and business efficiency are receiving so much attention. Certainly it has stimulated an interest sufficient to give impetus to the newly formed Canadian association.

W. J. A. DONALD

McMASTER UNIVERSITY
TORONTO, CANADA

WASHINGTON NOTES

PROGRESS IN BANKING LEGISLATION

Further important progress in developing a banking and currency measure has been made by the passage in the House of Representatives on September 18 of H.R. bill 7837 (63d Cong., 1st sess.). This is the bill originally introduced in June last in the House by Hon. Carter Glass, the chairman of the Banking and Currency Committee of that body. The bill in question, between the time of its introduction and its passage, went through a lengthy period of investigation and discussion at the hands of the Banking and Currency Committee, but suffered no substantial alterations, in any of its fundamental aspects during the time it was in progress through the committee, the subsequent caucus, or the House. It, therefore, contains practically the same features that were enumerated in a former issue of this Journal (July), and they need no further recapitulation. It is worth while, however, to make note of the report accompanying the bill which was introduced on September 9 (report No. 69, 63d Cong., 1st sess.) In this document, the recent history of the currency and banking situation is surveyed, and the proposed bill is carefully analyzed with a view to indicating how its several provisions would operate. On one point the report shows a considerable amount of light and clarifies a situation that has been much obscured by conflicting outgivings proceeding from a variety of sources. This is the section of the bill (sec. 20) which deals with the shifting of existing bank reserves from the present correspondent banks to the new reserve banks to be established under the terms of the act. On this topic the following analysis of the statistics and other

data assembled by the Banking and Currency Committee is worthy of presentation:

1. The bill provides in sec. 20 for a revision of the existing reserves of national banking associations.

2. The present reserve system recognizes three classes of banks: (*a*) country banks, (*b*) reserve city banks, (*c*) central reserve city banks. Country banks are required to hold 6 per cent of their deposit liabilities in lawful money and may hold 9 per cent in balances with other banks. Reserve city banks are required to hold $12\frac{1}{2}$ per cent of their deposits in lawful money and may hold $12\frac{1}{2}$ per cent in balances with other banks in central reserve cities. Central reserve city banks are required to hold 25 per cent of their deposits (including those of other banks with them) in lawful money in their own vaults.

3. The bill aims to transfer these reserves away from banks other than those to which they belong, so that ultimately bank reserves will be held partly (*a*) in the vaults of the banks to which they belong and (*b*) partly in the reserve banks to be created under it, the reserve banks thus created taking the place of existing reserve city and central reserve city banks in their relation to others.

4. In carrying out this plan, the bill contemplates that ultimately reserves shall be as follows: (*a*) 5 per cent of the outstanding deposits of all banks to be carried in the new reserve banks; (*b*) 5 per cent of the deposits of present country banks to be carried in cash in their own vaults; (*c*) 2 per cent of the deposits of present country banks to be carried either in cash in their own vaults or as a balance with new reserve banks; (*d*) 9 per cent of the deposits of present reserve city and central reserve city banks to be carried in cash in their own vaults; (*e*) 4 per cent of the deposits of present reserve city and central reserve city banks to be carried either in cash in their own vaults or as balances with the new reserve banks.

5. It is of course evident that the "balances" spoken of can be obtained by rediscounting paper with the new reserve banks.

6. From the foregoing it is clear that as some discretion is left to the banks about their reserves, the exact position of those reserves at any given time cannot be predicted. Maximum and minimum limits can, however, be fixed. This is done as follows:

7. At the date of June 4, 1913 (comptroller's last report), the present bank reserve in central reserve cities was $409,601,424, held in cash.

At the same date the reserve which would have been required under the new plan as above sketched would have been 9 per cent of net deposits then subject to reserve requirements in cash and 9 per cent as a maximum in balances with the new reserve banks, as follows:

To be held in cash	$141,127,835
To be held as balances	141,127,835
Total	282,255,670

From this it is clear that if the balances under the new plan were established by taking actual money and putting it in the reserve banks the actual release of cash as compared with the present plan would be the difference between the total new reserve and the present reserve; while if the reserve balances were created by rediscounting, the cash released under the new plan would be the difference between the cash required to be held under the new plan and the cash now actually held. That would signify:

Maximum release of cash	$268,473,589
Minimum release of cash	127,345,754

8. At the same date mentioned above the banking reserve in reserve cities as held by the banks was:

Held in cash	$250,383,926
Held in balances	232,799,679
Total	483,183,605

Under the new plan these banks would have to hold in cash 9 per cent of their net deposits subject to reserve requirements and a like amount in balances (maximum), which would be for the reserve cities as a group:

To be held in cash	$175,128,701
To be held in balances	175,128,701
Total	350,257,402

Comparing these figures with the present requirements, as already given, it is seen that the new plan might mean either a

Maximum release of cash	$75,255,225
Or a maximum contraction of cash	99,873,467

9. At the same date mentioned above the banking reserve in country banks was held as follows:

Held in cash	$289,392,177
Held in balances	310,689,129
Total	600,081,306

Under the new plan the cash required would be 5 per cent of their net deposits subject to reserve requirements and 7 per cent in balances (2 per cent of this at the bank's discretion). This would mean:

To be held in cash	$180,533,642
To be held in balances	252,747,100
Total	433,280,742

On the same principles as before this would mean a maximum release or contraction as follows:

Maximum release	$108,858,535
Maximum contraction	143,888,565

10. Thus it appears that there would be a possible maximum contraction as follows:

Reserve city banks	$99,973,476
Country banks	143,888,565
Total	243,862,041
Deduct central reserve city release	127,345,754
Net contraction	116,514,287

It is also evident that the result might work out as follows:

Released by central reserve city banks	$268,473,589
Released by reserve city banks	75,255,225
Released by country banks	108,858,535
Total	452,587,349

11. Which of these results would probably be reached? Assume that the first (contraction) was the net result owing to banks fulfilling their reserve requirements by depositing cash in every instance. The government balances which are now to be poured into trade channels through the new reserve banks will run from $200,000,000 to $250,000,000. Bearing in mind the fact that the capital of the new banks has to be raised in cash, it will be seen that allowing for $100,000,000 of this capital the monetary situation would be left about the same as it is today, except that the new reserve banks would be in position to add their loaning power to that of the older banks. If we now assume that the transfer of reserves resulted in the extreme limit of expansion already referred to, it would be noted that the cash is released only on the assumption that the new reserve banks have to hold one-third in lawful money in order to make these discounts, and it is clear that only two-thirds of $452,587,349, or about $300,000,000, will be released. Of this sum a certain part would be needed in bringing the reserves of state banks which may become members of the new associations up to the level which is required of them. How much this would be cannot be positively asserted.

12. If it be asserted that this process will lead to inflation the answer to be made is that whether it will or not is a matter in the hands of the reserve banks which have it in their power by fixing their rate of discount suitably to prevent the banks from creating with them by rediscounting reserve balances in excess of the required 5 per cent. If the reserve banks should do this, it would be found that the required 5 per cent referred to would be about $356,000,000 while the amount which the banks at their option might or might not obtain in this way would be about $213,000,000, the actual cash required to be held by them under the new plan as already sketched, being as follows:

Central reserve city banks	$141,127,835
Reserve city banks	175,128,701
Country banks	180,533,642
Total	496,790,178

Add to this the amount which the reserve banks can at their option make it worth while for the other banks to hold in cash or to deposit with them in cash, and we have a total of about $710,000,000. The actual cash held today by the banks at home and in the redemption fund is about $950,000,000. Something like $240,000,000 would thus be released under the probable working-out of the system, and this would be drawn upon for the other purposes already referred to.

One feature added to the bill during the time it has been under discussion is a section (sec. 27) permitting national banks to do a savings-bank business. This section provides for segregating a part of the capital, assets, and reserves of any national bank that may desire in a so-called savings department, which is then authorized to employ the funds thus intrusted to it in making loans upon real estate and securities and in investing in such securities. The section has been subjected to very severe criticism, especially in view of the fact that it affords no special protection to savings depositors in the event of failure, and in view of the great power it vests in the federal Reserve Board—the body intrusted with the general oversight and management of the new banking system—to regulate investments in securities by prescribing the classes of paper into which such savings funds may go in different parts of the country. Another provision of some interest is found in the section (sec. 13) providing for the creation of an advisory council of bankers whose duty it shall be to aid the federal Reserve Board by giving it advice and making suggestions with respect to questions affecting credit and the general management of the reserve banks. This section was particularly asked for by bankers, but since it was introduced into the bill has not proved to be as satisfactory to them as they had apparently expected it to be. Except for these two changes, the other alterations in the terms of the measure are almost wholly changes in language intended to clarify the meaning or to correct minor technical defects in the machinery provided by the bill for carrying out the general scheme framed by its authors.

ADOPTION OF THE NEW TARIFF

The adoption of the tariff bill, and the approval of it by the President on October 3, marks the close of what is undoubtedly one of the most remarkable tariff contests in American history. The details of the measure and the outlines of its history will be reviewed in this Journal more fully at a later date. At this point it is worth remarking that the noteworthy characteristics of the measure are two in number: (1) the fact that it constitutes so marked and decided a reversal of recent tariff

policy, and (2) the leading and controlling part played by the Executive in the process of engineering the bill through to a successful conclusion. As a result there can be little doubt that the measure is, according to its lights, honest—that is to say free of the "jokers" which have figured so extensively in tariff legislation for so long a time. The tariff bill is worthy of study from several standpoints. In the first place, it is not a complete revision of the existing law, notwithstanding that it is generally so regarded. The following features of present legislation have been left very nearly untouched: (*a*) The tobacco schedule; (*b*) the wine and spirits schedule; (*c*) the silk schedule; (*d*) the customs administrative act. Moreover, it is not true that the bill introduces drastic reductions everywhere. As already noted, several schedules are left untouched, but in addition the chemical schedule, although profoundly altered and rewritten, does not, in its rates of duty, fall much below the present chemical rates. There are other points, numerously scattered through the bill at which rates are as high or higher than they are today. The schedules in which great reductions have been made are those dealing with (*a*) iron and steel; (*b*) cotton textiles; (*c*) flax and hemp and the textile products thereof; (*d*) agricultural products; (*e*) wool and woolens; and (*f*) sugar. Of these the cotton and woolen and sugar schedules have suffered the greatest transformation and it is undoubtedly true that the real test of the bill will be furnished by the working of these schedules. If they are accepted by the business community and prove to be workable and to involve no serious disruption of present relationships, the bill is likely to stand approved in the main. Failure on the part of these schedules to work well will inevitably mean an adverse judgment with reference to the bill as a whole. As to wool and woolens, the fundamental change that has been introduced is the placing of wool absolutely on the free list, and the consequent elimination of the elaborate and notorious system of "compensatory duties" whereby the woolen schedule was made to yield exceptional and special protection for the manufacturers of particular products who had stood close to Congress in the past. As to cottons, the changes introduced eliminate the complex system of assessing duties upon a basis determined by the weave of the cloth with additional surtaxes for such processes as mercerizing. Besides cutting out these jokers, the bill greatly reduces the general rate of protection on cottons. Yet it is admitted by manufacturers that the only doubt as to its being sufficiently protective is based upon the working of the measure as to the finer cloths, constituting probably not more than 10 per cent at the utmost of the total production of the United States.

The unequivocal placing of sugar on the free list after three years is a step that has seemed to a good many persons to be of doubtful wisdom, in view of the fact that sugar is so excellent a revenue producer and one whose burden is felt in a comparatively slight degree by the community. The action, at all events, will be of epoch-making significance in that it will alter our relations with Cuba and subject domestic sugar producers to the competition of the whole world. The question of most interest in this connection has of course proved to be whether the domestic growers could or could not sustain themselves in the face of the fierce pressure to which they will undoubtedly be exposed from the other producers of sugar, with whom they have heretofore not been obliged to contest for the control of the domestic market. As to agricultural products, the judgment of the world will undoubtedly be that Congress hardly had the courage of its convictions, since it did not absolutely remove duties upon foods of all kinds. The placing of many grains, meats, and basic foods on the free list is, however, a substantial fulfilment of the party pledge given last autumn, and is calculated to afford considerable relief to consumers, either by bringing about actual reductions in prices or at least preventing advances that would otherwise have manifested themselves. The crop shortage of the past season will undoubtedly mask the effects of the tariff in some measure by keeping food prices at a higher level than they would otherwise have maintained. But the relief will be present in the negative way already indicated, even if it should not be positively in evidence.

Politically, the outcome must be largely attributed to the courageous and skilful work of President Wilson. Shortly after the tariff bill entered the Senate, a formidable combination against it was ascertained to exist, ultra-protective interests feeling well assured that they could defeat it. President Wilson's immediate and able exposure of the corrupt lobby then operating against tariff revision greatly cleared the atmosphere and tended to bring the struggle over the tariff before the public in an unmistakable manner. This entirely changed the terms of the contest and rendered it possible to enlist public opinion in support of the changes in existing law that were definitely desired.

REORGANIZATION OF THE CENSUS

Hon. William J. Harris, the Director of the Census, has recently appointed Hon. S. N. D. North and Hon. William B. Merriam, former directors of the Census; Professor Walter F. Willcox, of Cornell University; Mr. W. S. Rossitor, formerly chief clerk of the Census, and

Hon. Daniel C. Roper, First Assistant Postmaster-General, and formerly an official of the Census Bureau, as special agents of the Bureau to make studies of the present condition of statistical work, including particularly the unfinished work of the Thirteenth Census, and to formulate plans for the better organization and administration of the Bureau in connection with future annual and other inquiries.

It immediately became evident to these investigators that the problems before them in the Bureau had best be treated in two separate divisions; first, and most pressing, the disposition of the much delayed work from the Thirteenth Census; and second, the plan for the future conduct of the Bureau. The investigations thus far have been directed at the first division of the problem, namely, the overhanging work from the Thirteenth Census; and the following recommendations, embodying a part of the findings of these experts, were submitted to the Director of the Census about September 20.

In pursuance of the instructions of the Director of the Census we have made a special study of certain branches of the statistical work in the Bureau and in submitting the recommendations hereinafter enumerated we have had regard to the following conditions of facts:

(*a*) That the act authorizing the taking of the Thirteenth and subsequent censuses requires that the reports of that census shall be completed and published on or before July 1, 1912; (*b*) That, although three and one-half years have now elapsed since the enumeration, much of the Thirteenth Census work is still uncompleted; (*c*) That the regular annual reports and other work of the intercensal period have been greatly delayed because a large body of census clerks is still employed upon the delayed work of the Thirteenth Census; (*d*) That the value and usefulness of the annual and other reports required by law are largely dependent upon the promptness with which they are compiled and given to the public; and (*e*) that current appropriations are required for the purposes for which they are made.

We, therefore, advise the Director to begin no new tabulations or analyses in connection with the unfinished branches of the Thirteenth Census, namely, Population and Mining and Quarries, and to readjust the work of those branches and of the delayed annual reports so as to insure their publication not later than December 31, 1913.

To this end we submit the following recommendations:

1. That the proposed second machine run of the cards for tabulating occupations be abandoned, thus expediting the time of production by about six months and reducing the cost of finishing that branch of the work by about $65,000; and that the tables yielded by the first run of cards be printed without derivative tables or text. These tables give the number of persons of each sex in each occupation, and classify them by race, nativity, and parent nativity,

and five age-periods, thus insuring the publication of the primary classification of occupational data as reported at previous censuses.

2. That the report upon native tongue be limited to the chapter to appear in the forthcoming final volume on Population.

3. That the tables relating to Mines and Quarries now in the form of printed bulletins, proofs, or manuscript be sent to the Public Printer at once, the same to constitute the final report on Mines and Quarries, and that no further tabulations or text be prepared in connection with that report.

4. That tables for the benevolent institutions, and for the institutional population, namely, prisoners, insane and feeble-minded, and paupers, be prepared and published without percentage or other derivative tables and without analytical text.

5. That the annual compilation of the statistics of forest products be abandoned. There appears to be no authority of law for an annual inquiry of this character, which the records show to have cost from $20,000 to $40,000 a year.

6. That the annual report on the financial statistics of cities for 1912 be completed and published by January 1, 1914, by curtailing the amount of detail to be included; that the schedules and report for 1913 be similarly curtailed; that the reports for the years 1912 and 1913 be printed without text, except such as is necessary for explanation and definition; and that, until the annual reports on the financial statistics of cities are brought up to date, no attempt be made to prepare a report on general municipal statistics. This recommendation is based on the fact that delay in the compilation and publication of the annual municipal reports detracts seriously from their value.

7. That the reports on mortality statistics for the years 1911 and 1912 be published before the close of the present calendar year. To make this possible, the text of these reports should be reduced to a minimum or omitted, the tables condensed, and no effort be made to publish a report on births until the mortality reports are published.

8. That work upon the standardization of death rates, life tables, and occupational mortality be suspended until the above reports have been published. There is no reason why the mortality report for each year should not be compiled and published prior to the close of the succeeding calendar year.

9. That in view of the emergency presented by the delay in completing the Thirteenth Census, the Director request the Secretary of Commerce to lay the matter before the President with the view of securing his instructions to the Public Printer to give precedence so far as practicable to the remaining publications of the Thirteenth Census and the long overdue annual reports.

Having made these recommendations, the special agents will now severally give their attention to the various questions submitted to each of them by the Director of the Census, and prepare further memoranda for his consideration at an early date.

It is probable that the inquiries of these Census experts into the more important but less pressing problem, that of the organization and administration of the Bureau in connection with the present and future work, and the statistical reports to be taken up during the remainder of the present decade, will be the subject of another series of recommendations to be made to the Director within the next thirty days.

The group of experts which Mr. Harris has appointed to collaborate with him in working out present Census problems and in outlining the future plans of the Bureau are thoroughly conversant with Census work. Director Harris states that the recommendations of these special agents will be followed by him and that the Census reports will be given to the public without further unnecessary delay. He also expresses the hope and belief that the studies and recommendations of these former officials of the Bureau will result in a great improvement in the quantity and quality of the Census work, accelerate the production of results, and effect a material reduction of expenditures, while at the same time they will preserve all valuable and useful data collected for the Thirteenth Census.